

Deputies' Entanglement in Financial Crimes During Economic Downturn

Since OIR's inception, we have closely monitored all off-duty misconduct cases involving the commission of crimes by deputies including the commission of financial crimes. Although there have been notable exceptions, financial crimes in the past 10 years have primarily consisted of minor theft-type allegations. This past year, however, the level of financial crimes we have observed has risen to more serious and deliberate allegations of misconduct. OIR has no definitive explanation for the reasons behind this sudden increase in the level of financial crimes allegedly committed by deputies. However, the current financial climate and the inability for deputies to earn as much salary as they did when the economy was better may have contributed to this phenomenon. While ultimately, the criminal justice system and the Department's disciplinary system cannot excuse such significant lapses of judgment by peace officers, the financial pressure that may have been faced by the involved deputies could well have played a role in their alleged decisions to violate the law and their oaths of office. Four or five years ago, most deputies who wanted to work overtime to earn extra money on a regular or occasional basis could generally do so quite easily. Overtime was generally available to any deputy who sought it. While some deputies worked overtime on occasion to earn extra money to save for leaner times or pay for a particular item they wanted to purchase, other deputies may have adopted a lifestyle beyond that which their regular salary afforded.

Last year, the Sheriff was faced with substantially over a hundred million dollar cut from his budget. In order to keep from having to lay off deputies, the Sheriff outlined a plan to save money which included having deputies with administrative duties work schedules that would otherwise be filled by deputies accruing overtime and having command staff work patrol or fill in at the jails or the courts. The reduction in overtime in itself has accounted for most of the savings – an estimated \$58-million. Regrettably, the current financial crisis and the resulting reduction in available overtime may have contributed to the rise in poor decision making by deputies who appear to have, at times, resorted to unfortunate measures in order to get out from under debt possibly caused by living beyond their means. In essence, vehicles and other luxury goods may have been acquired when overtime was readily available, and those deputies who no longer have overtime as readily available may not have been able to keep up the payments on

those luxury goods. The following three recent cases involve deputies who engaged in or attempted to engage in insurance fraud.

Case One

A citizen informant calls the police to report a vehicle which was on fire in a field adjacent to his residence. Arson investigators respond and determine the vehicle is owned by a deputy who has only been out on patrol for 14 months. When they contacted the deputy, they were informed the vehicle must have been stolen from the deputy's residence. The next day, the deputy filed a claim with his insurance company. Arson investigators for the Department later determined the fire was caused intentionally by applying an open flame to vapors of an ignitable liquid that was poured into the vehicle. A few months later, the deputy became a suspect because an expert hired by his insurance company tested the vehicle's ignition and determined the car could not be driven without a transponder key due to an anti-theft system which had been installed in the vehicle. Investigators thereafter secured a search warrant for the deputy's cell phone records and determined he had been in the area where the vehicle was abandoned and torched, rather than at his father's home in another city where he had previously told investigators he was during the relevant time period. In addition to the three vehicles he owned, the deputy had a home with a substantial mortgage and three credit cards with balances of over \$1,000 each.

The District Attorney's Office filed six felony counts including arson, insurance fraud, perjury, and filing a false report. The deputy pled no contest to two felony counts: possession of flammable material with intent to set fire to property; and insurance fraud. The remaining counts were dismissed and the deputy was sentenced to 180 days in custody, ordered to pay restitution to the insurance company, and prohibited from owning or possessing any dangerous or deadly weapons as conditions of a three year term of probation. Faced with a discharge notice, the deputy elected to resign.

Case Two

A probationary deputy¹ contacted a friend who works for another law enforcement agency to report that the deputy's house had been burglarized a day earlier. The friend – also a relatively inexperienced peace officer – initially told the deputy he would send a unit to the deputy's house to take a report because the deputy's home was within the jurisdiction of the friend's police agency. The deputy said it would not be necessary to take a report because he already cleaned up the house following the burglary. The deputy provided a list of stolen items totaling over \$10,000 and told his friend he needed a crime report because he was going to file an insurance claim. The friend/officer taking the report became suspicious based on the value of the stolen items and the fact that the deputy had failed to immediately report the crime and had cleaned the house prior to calling police. The officer notified his supervisor, who visited the deputy's home with another officer. They spoke with members of the deputy's family who knew nothing about an alleged burglary of their property. When questioned, the deputy changed his story and claimed it was the garage that had been broken into and that the home was undisturbed, a story that seemed implausible to the investigating officers for a number of reasons.

Upon learning that the outside law enforcement agency was investigating the deputy for filing a false police report, the Department moved quickly to terminate his probationary status and then permitted the deputy to resign. The deputy subsequently pled no contest to a misdemeanor count of filing a false police report.

Case Three

1 Deputies and other Department employees generally have probationary status during their first year of employment, meaning that their permanent employment is still under review and employment may be terminated at will.

A deputy reports his vehicle was stolen from his residence to police and files a loss claim with his insurance provider. A few days after the initial theft report, the vehicle is located in Mexico. An American law enforcement agency takes control of the vehicle and notifies the insurance company of its recovery. The vehicle is then towed to an auto body shop chosen by the deputy and he places pieces of tape on the areas of the vehicle allegedly damaged from the theft. Once the insurance adjuster is able to view the car, she becomes suspicious because there is little to no damage to the vehicle and the taped areas appear to be pre-existing. The adjuster speaks to the owner of the body shop and is informed the deputy had received an estimate to repair the areas marked by tape three months prior to the alleged theft. Further raising suspicion were the facts that the deputy had all the keys to the vehicle in his possession at the time of the alleged theft and he was not cooperating with the insurance company's investigation into the theft.

As a result of raised suspicion, the insurance company forwarded the case to the District Attorney's Office for consideration. The District Attorney conducted its own investigation and discovered, through cellular phone records, that the deputy and a friend who worked as a law enforcement official from another agency called one another as they drove from Southern California to the Mexican border on the night the vehicle was allegedly stolen. Based on this information, the District Attorney filed three felony counts: perjury; filing a false insurance claim; and providing false information for an insurance claim. The deputy pled no contest to a misdemeanor charge of accessory to a felony. The administrative investigation is complete and the deputy has been served with a notice of discharge by the Department.

The fraudulent conduct described in the above three cases is not unique to the Sheriff's Department. A search of media accounts has found guilty pleas from other law enforcement officers to insurance fraud charges.

Moreover, two LASD deputies are currently under federal indictment for engaging in an alleged mortgage fraud scheme. The deputies are alleged to have purchased homes and obtained loans in

amounts which exceeded the actual sales price of the homes. According to the indictment, the homes were then sold and the deputies received a portion of the difference between the sales price and the inflated loan amount. If convicted, one deputy is facing up to 45 years in prison and the other deputy is facing up to 105 years in prison.

The Sheriff's Department has not sat idly by as this spike in financial crimes has become evident. In response, the Department began to offer a life skills class in January of 2010. The class was formulated and is taught by retired LASD Lieutenant Sam Silva who spent part of his 35-year career working as an internal affairs investigator and who has written a book on life skills for peace officers because he saw what he describes as "nice people making bad decisions." One of the central themes to the class is recognition of the concept of living within one's means. Since its inception, 350 deputies, 221 custody assistants, and 184 professional staff including security officers and security guards have taken the class. In addition, the Department intends to add this course to the list of mandatory courses taken by new recruits at the academy and is working on scheduling two financial planning workshops open to all employees before the end of the year. OIR commends LASD for its proactive addressing of this issue to help reduce the likelihood that additional deputies will fall prey to these career ending tragic episodes with deleterious life changing consequences.